

THE NEW TWO-POT RETIREMENT SYSTEM

– all you need to know



FOR DB DEFERRED PENSIONERS, DEFERRED MEMBERS AND PAID-UP PENSIONERS



What is the Two-Pot Retirement System and the motivation behind it?

The “two-pot” retirement system aims to address the concerns related to lack of preservation before retirement and the lack of access to retirement savings by households that are in financial distress.

This will be achieved by:

- a) Allowing active members, including DC members, DC deferred pensioners, DB members, DB deferred pensioners, DB deferred members and DB paid-up pensioners to access amounts in their “savings pot” before retirement from the Fund, in times of financial stress;
- b) Preserving amounts in the “retirement pot” until retirement; while
- c) Protecting vested rights in the vested pots in respect of benefits that accrued to members up to 31 August 2024. The Fund rules that applied to your Fund benefits before 31 August 2024, will continue to apply to these pots in future.

How will the two-pot system work?



Although we refer to the new system as the “two-pot” system, from 1 September 2024, the De Beers Pension Fund (the Fund) rules have been amended to cater for four pots for each member. DB deferred pensioners, deferred members and paid-up pensioners will, in the normal course of events, only have benefits in two pots – a vested annuity pot and a savings pot. Please refer to the example on the next page for an explanation of how the pots work.

EXAMPLE:

Joe's accrued (deferred) pension is R10 000 per month on 31 August 2024 with an estimated value of R1.5 million.

Joe's full accrued benefit will initially be allocated to his vested annuity pot. On 31 August 2024, 10% of Joe's accrued benefit, up to a maximum of R30 000, will be transferred from his vested annuity pot to his savings pot as seeding capital for any withdrawals he may choose to make from his savings pot in future. The balance of his retirement savings up to 31 August 2024 will be retained in his vested annuity pot.



On 1 September 2024, his benefit will be split as follows:

- R9 800 of his accrued (deferred) pension (with an estimated value of R1 470 000) will be in his vested annuity pot; and
- R200 of his accrued (deferred) pension (with an estimated value of R30 000) will be in his savings pot (this is the "seeding capital" that is transferred from the vested annuity pot to the savings pot on 1 September 2024).

If Joe does not make any savings pot withdrawals until his pension age, he will have the same amount of accrued pension (including any future pension increases granted) at that date as he would have had under the system that applied prior to 1 September 2024. His retirement benefit would, therefore, be the same under the old system and the new system.

If Joe does take a savings pot withdrawal, his accrued pension will be reduced accordingly.



These funds cannot be accessed until retirement.



Seeding capital up to a maximum value of R30 000 will be transferred to this pot on 1 September 2024. You can make one withdrawal from this pot in each tax year, i.e. between 1 March and 28/29 February each year. The minimum withdrawal amount is R2 000 and the maximum amount is what is available in your savings pot. The Fund must get a tax directive from SARS and deduct the tax due at your marginal tax rate (i.e. the SARS tax rate that applies to your income band) from any amount you withdraw before it is paid to you.



How can I see what is available in my savings pot?

A calculation will need to be done to determine the value of your savings pot. You can request an approximate calculation of the amount available in your savings pot by completing [DB11 Approximate Calculation Application Form](#) and emailing it to pensionpost@dbpf.co.za. This may take up to 5 working days or longer to be processed.



Is it a good idea to make withdrawals from my savings pot?

If you want to retire financially secure, it is not a good idea to make withdrawals from your savings pot. The cash withdrawal option from your savings pot is meant to assist with **financial emergencies** only. Withdrawing from your savings pot will reduce your retirement benefit.



How does the withdrawal process work?

If you have more than R2 000 in your savings pot, you can only apply for a withdrawal from your savings pot as from 24 September 2024. No applications can be made before this date.

1. You can request an approximate calculation of the amount available in your savings pot on 1 September 2024 by completing [DB11 Approximate Calculation Application Form](#) and emailing it to pensionpost@dbpf.co.za.
2. To request a withdrawal from your savings pot, complete a [DB/DC 19 Savings Pot Withdrawal Request Form](#), available on the Fund's website or from the Fund.
3. Email a scanned copy of the completed form to pensionpost@dbpf.co.za or fax it to 053 807 3500. Please note that HR is required to complete a section of this form to indicate if you have any foreign service.
4. The Fund will contact you as part of their Benefits Counselling service to discuss the implications of your withdrawal on your retirement savings.
5. You are reminded that the tax deduction from your withdrawal amount will be calculated at your **marginal rate of tax** (see table below), which means a significant reduction in the amount that will be paid to you.
6. If you decide to go ahead, the Fund will apply to SARS for a tax directive. As SARS may receive a huge influx of requests for tax directives, this may take a while longer than normal and is not in the Fund's control, so please be patient if the request for a withdrawal takes slightly longer than anticipated.
7. The Fund will also verify your bank account and other personal details to ensure that the payment is valid and to eliminate any possibility of fraudulent claims.
8. Once we have received the tax directive and verified your details, your withdrawal amount less the tax due will be paid into your bank account. The Fund envisages that the entire process from applying for a withdrawal benefit from your savings pot to payment into your bank account will take between **6 to 8 weeks from the date that the seeding process has been finalised**.



Your marginal tax rate will be calculated by SARS using the following table:

Taxable income (R)	Rates of tax (R)
0 – 237 100	18% of taxable income
237 101 – 370 500	42 678 + 26% of taxable income above 237 100
370 501 – 512 800	77 362 + 31% of taxable income above 370 500
512 801 – 673 000	121 475 + 36% of taxable income above 512 800
673 001 – 857 900	179 147 + 39% of taxable income above 673 000
857 901 – 1 817 000	251 258 + 41% of taxable income above 857 900
1 817 001 and above	644 489 + 45% of taxable income above 1 817 000



Will I be charged an administration fee for processing my withdrawal?

No, the Fund will not charge any fees to process a withdrawal and make payment.

Is my withdrawal from my savings pot taxed?

Yes, any withdrawals you make from your savings pot will be included in your taxable income for that year and will be taxed at your applicable marginal tax rate. The Fund will apply to SARS for a directive and will deduct the taxable amount, and any other amount SARS advises regarding arrear taxes, from your withdrawal amount and pay this over to SARS before the balance is paid to you.

IMPORTANT: SARS has indicated that tax directives will not be issued if a member's tax affairs are not in order, i.e. outstanding tax returns. If a member owes SARS money for prior taxes, a deduction order (IT88) in addition to the tax directive will be issued and deducted from a member's gross withdrawal amount.

In view of the above, you are encouraged to ensure that your tax affairs are in order if you are considering making a withdrawal from your savings pot.

Are there any other tax implications?

Yes, you will be taxed at your marginal tax rate on any withdrawal made from your savings pot. In addition, the amount that you withdraw from your savings pot will be added to your annual taxable income, which could push you into a higher tax bracket depending on your income and the amount you withdraw. For some members, it could push them over the tax threshold (or into a higher income tax bracket) for the first time.

EXAMPLE:

Kgomotso earns R7 900 per month. His annual taxable income of R94 800 is just under the government's R95 750 tax threshold, which means he doesn't have to pay tax or PAYE. He withdraws R5 000 from his savings pot in September. This pushes his taxable income to R99 800 (R94 800 + R5 000) and he is now no longer under the tax threshold. He is liable for 18% tax on the difference of R4 050, which comes to R729 if SARS did not tax his withdrawal from the savings pot. When he files his tax return in July the following year, he will owe SARS R729.

What else could delay the payment of my withdrawal amount or cause it to be refused?

Withdrawal payments may be refused or delayed for various reasons, e.g. if your form is not filled in correctly, your bank account verification fails, your tax affairs are not in order, you request more than one withdrawal payment in the same tax year, there is less than R2 000 in your savings pot or there are divorce, maintenance or employer compensation proceedings against you, etc.

If I have a retirement annuity (RA) or preservation fund, can I make withdrawals from my RA and / or preservation fund savings pots as well as from my DBPF savings pot?

Yes, the law allows you to take one savings pot withdrawal each year from every fund you belong to. So, if you have retirement benefits in three separate funds, you will be able to take a withdrawal from each of those funds each year. Seeding capital will also be allocated to your savings pot in each of the funds.

Although multiple withdrawals may be possible, please consider the significant, negative financial impact this will have on the money available to you at retirement. The two-pot system is intended to offer you financial relief in a financial emergency. There are real consequences if you make regular withdrawals and this is compounded if you are making regular withdrawals from other retirement funding vehicles as well, such as an RA or preservation fund. You are essentially 'stealing' from your future self by making withdrawals from your savings pot.

How will my Fund benefits be paid out?



RETIREMENT

There are no changes to the normal (60), early (from age 50) or late (up to age 65) retirement rules.



? How will my benefit be paid to me when I retire?



VESTED ANNUITY POT

You can take up to 1/3rd of this pot as a cash lump sum and the balance of this pot must be used to buy a monthly pension.



SAVINGS POT

Any balance in your savings pot can be paid as a cash lump sum or used to buy a monthly pension. Any cash lump sum at retirement will be taxed according to the retirement lump-sum tax table, and not at your marginal tax rate.

? What happens to my tax-free portion if my savings pot is empty at retirement?

If your savings pot is empty at retirement, you will not be able to access any tax-free lump sum from this pot. Up to 1/3rd of your vested annuity pot can be taken as a cash lump sum and the tax-free portion may apply, and the balance used to buy a monthly pension.



DEATH BENEFITS

? Will my dependants still receive a funeral benefit?

If you die before retirement, a spouse and child pension will be payable (where applicable). However, no lump sum death benefit will be payable should you die prior to retirement.

? What about divorce?

If a court issues an order in terms of S7(8) of the Divorce Act against the Fund to pay, for example, 50% of the Fund member's or Deferred Pensioner's pension interest (withdrawal benefit as at the date of divorce) to the non-member spouse, the Fund will pay 50% of the money in the savings pot and 50% of the money in the vested annuity pot to the non-member spouse. The Fund must then reduce your accrued pension in each of the pots accordingly (which will reduce the available funds from the various pots proportionally).

